

- EI benefits fall 1.1% in March
- Canadians travelling overseas at historically high rates
- Canadian GDP up 0.9% in first quarter

The Economy

- Wages, salaries and benefits earned by workers in the province edged up 0.2% (*seasonally adjusted*) in March, the fifth straight month in which there has been growth. The increase was the smallest of any other province, with the exception of PEI (+0.1%) and well below the national average of 0.4%. New Brunswick experienced the fastest growth in labour income in March (+0.7%). *Data Source: Statistics Canada*

- The number of British Columbians receiving regular Employment Insurance (EI) benefits dropped 1.1% (*seasonally adjusted*) in March, to 44,150. Nationally, the number of EI beneficiaries remained unchanged at 502,710. *Data Source: Statistics Canada*

- Restaurant, caterer and tavern receipts in BC were flat (*seasonally adjusted*) in March. Drinking places (-10.7%) took in substantially less than in February while sales in food service establishments were up 0.8%. Canadian establishments saw a decline in receipts (-0.4%) as revenues were down for both food services (-0.3%) and drinking places (-1.1%). *Data Source: Statistics Canada & BC Stats*

- Investment in residential construction soared to \$3.2 billion in BC in the first quarter, up 22.9% (*seasonally adjusted*) over the same quarter of last year. Across the country, spending on residential construction totalled \$16.9 billion, 10.3% higher than the first three months of 2005. Investment in new housing construction was particularly robust (+10.8%), while spending on renovations (up 9.1% to \$6.7 billion) and acquisition costs (up 12.6% to \$1.6 billion) also advanced. Among the provinces, the strongest increase (in dollars) was recorded in Alberta (up 29.3% to \$2.7 billion). *Data Source: Statistics Canada*

Travel

- An all-time high of 6.2 million Canadians travelled to nations other than the US in 2005. Almost half of Canadians travelling overseas visited Europe. Of the top 12 countries visited, the United Kingdom was the most popular with 899,000 visits (up 19.1% over 2004), followed by Mexico (up 12.2% to 792,000). The biggest increase was in trips to Italy (+49.6%) as tourists flocked to witness the events surrounding the death of Pope John Paul II and the installation of Pope Benedict XVI. Travel to the Caribbean eased off while trips to Asia continued to rebound from the 2003 decline resulting from the SARS scare.

Due perhaps to the rising Canadian dollar, overnight travel to the US rose 7.3%, while fewer Americans (-4.6%) travelled north of the border. For Canadians visiting the US, New York (2,300,000) remained the most common destination in 2005, though more and more Canadians are choosing Florida as a vacation spot. *Data Source: Statistics Canada*

- During the first quarter of 2006, record spending by Canadians overseas and in the US pushed the nation's international travel deficit to its highest level in almost 15 years. The deficit reached an estimated \$1.8 billion over the first three months of 2006, the largest since the end of 1991. Spending by Canadians travelling abroad reached \$5.8 billion (up 1.7% from the previous quarter), while spending by foreigners in Canada dropped 1.6% to under \$4.0 billion. Canada's travel deficit with the US widened to over \$1.1 billion in the first quarter, its highest in 12 years. The nation's travel deficit with overseas countries also hit a record high (\$720 million). *Data Source: Statistics Canada*

Did you know...

Over one third (8 of 23) of those players on the "Canadian" team in the Stanley Cup finals, the Edmonton Oilers, were not born in Canada. One half of the "American" team, the Carolina Hurricanes, are Canadian born (and only five are American born)

Food Consumption

- **Canadians are consuming less sugar than they used to.** On average, Canadians consumed 24.4 kg of refined sugar in 2005, down 4.1% from the previous year. Cereal consumption has also eased from its record high in 2004. Beef consumption is on the rise with individuals eating an average of 14.6 kg last year, up 3.6% from 2004. Chicken remains the most popular poultry with the average Canadian consuming 11.4 kg last year. Canadians ate 66% more poultry in 2005 compared to 1976.

Data Source: Statistics Canada

Urban Transit

- **Canadians are taking more trips on urban transit systems.** Combined ridership on 10 large urban transit systems (accounting for 80% of total urban transit in Canada) was up 4.1% in March over the same month last year. About 125.4 million passenger trips were taken on these systems, generating \$187.8 million in revenue, a 3.4% increase over March 2005.

Data Source: Statistics Canada

The Nation

- **Canada's economy grew 0.9% (seasonally adjusted) in the first quarter, mostly on the strength of a 1.1% jump in GDP of service-producing industries.** Wholesale (+2.9%) and retail (+2.0%) trade both showed robust growth as did most other service sector industries. The goods sector did not fare nearly as well, with GDP growth edging up only 0.2% in the quarter; however, the construction industry experienced strong growth of 2.3%. The energy sector slumped 1.0% in the first quarter, while GDP in non-durable manufacturing (-0.8%) and industrial production (-0.3%) also fell.

Data Source: Statistics Canada

- **Prices for Canadian manufactured goods were up 2.2% in April compared to the same month of last year, up significantly from March's year-over-year increase of 1.2%. Petroleum and coal prices led the way in the increase of the Industrial Product Price Index (IPPI) with a 19.5% jump over the last year.** The IPPI excluding petroleum and coal product

prices would have been 107.6, only a slight increase (+0.5%) over April of 2005. Other substantial increases include a 12.2% climb in the prices of primary metal products, due in part to soaring demand from China. A decline in prices for lumber & other wood products (-6.2%) as well as motor vehicles & other transportation (-5.1%) dampened the overall increase of the IPPI. Prices for meat, fish & dairy products (-1.4%), pulp & paper products (-1.3%) and electrical & communications products (-1.0%) also slipped over the 12 month period.

Prices for raw materials climbed 12.9% from April 2005. Mineral fuels were up 12.4% with crude oil (+12.9%) and natural gas prices (+10.0%) both escalating from a year ago. Excluding mineral fuels, prices for raw materials would have increased 13.5% over the 12-month period as producers of non-ferrous metals received 61.3% more for their goods than in April of last year.

Prices for BC softwood lumber continued to drop, falling to 7.6% below the April 2005 level. Both interior (-8.3%) and coastal (-5.8%) lumber producers received substantially less for their products. Prices for BC pulpwood chips plummeted 16.4% over April of last year.

Data Source: Statistics Canada

- **Canada saw its current account surplus drop by \$2.4 billion to \$10.7 billion (seasonally adjusted) in the first quarter.** The change was largely due to the trade in goods, where a decrease in the value of energy exports from a particularly strong showing in the fourth quarter of 2005, dragged the surplus in trade of goods down \$3.3 billion. Prices for natural gas declined by almost 30% in the first quarter, following strong increases over the previous two quarters. The services trade deficit edged up \$0.1 billion to \$3.8 billion over the first three months of 2006.

Data Source: Statistics Canada

*Infoline Issue: 06-22
June 2, 2006*

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Originally published in *Exports* Issue 06-03. Annual Subscription \$60 +GST

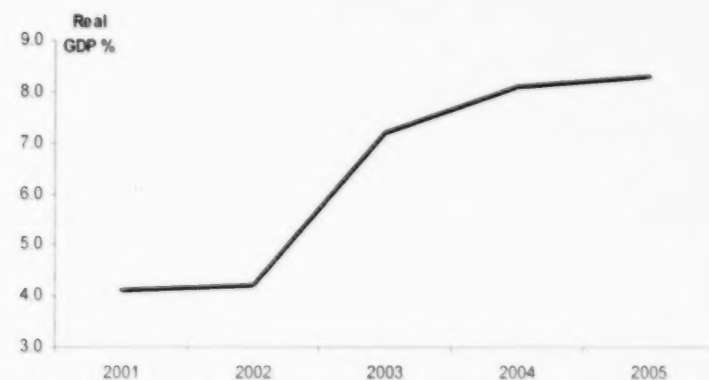
Will Canada-India Trade Spice Up?

As it grows into a major player in the global economy, India has, of late, had a major presence in world news. According to the Department of Foreign Affairs and International Trade, India has a population of nearly 1.1 billion and ranks as having the 6th largest economy in the world.

Its economy has become progressively more dynamic since Prime Minister Manmohan Singh, while acting as Finance Minister, liberalized it in 1991, though its growth in recent years has commonly been overshadowed by China's. Indeed, there are some interesting comparisons to be made between the two countries. Although they differ quite substantially politically, both are in the midst of growth spurts strengthened by an emerging middle class. Demand for raw materials to support the growth of both countries has boosted the prices of many global commodities. According to a new research initiative by the Economist Intelligence Unit (EIU), about 40% of the increase in global GDP in the coming 15 years will come from China (27%) and India (12%).¹ In 2005, India's Real GDP growth rate was 8.3%, the highest in over a decade.

India's economic position is poised to rival that of China in coming years.

India's GDP has grown significantly over the past five years



Source: International Monetary Fund

As a democratic country with many domestic businesses and a massive emerging middle class, India offers platforms for potential growth in economic relations with many other countries

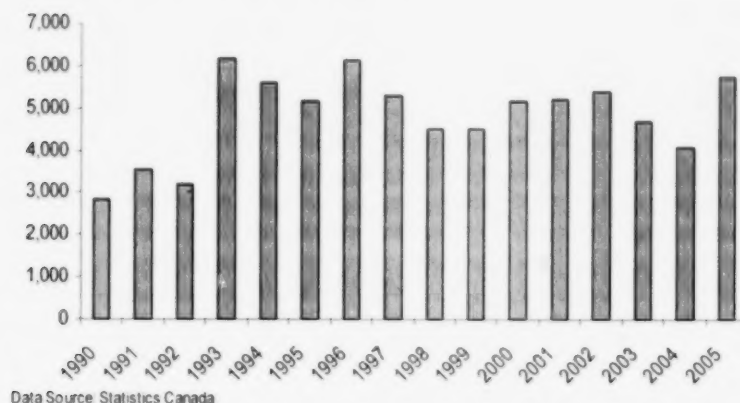
¹ EIU press release March 30, 2006. <http://store.eiu.com>

India's democratic, free-market economy may give rise to more growth, driven by domestic business. Though India would need billions of dollars to achieve a level of infrastructure that rivals that of China, its long-term outlook is nonetheless promising. The U.S. is not the only country strengthening its ties with India; Canada too has attempted to expand its trade and investment ties with the booming South Asian country. With its newly thriving economy, India has potential to become far more significant for both Canada as a whole and BC in particular.

BC is home to 30% of Canada's Indo-Canadian immigrant population

Canada's trade partnership with India is greatly affected by the presence of numerous immigrants from India in many of its provinces. In 2001 (the most recent census data available), India was the third largest source of immigrants to British Columbia after the United Kingdom and Mainland China. In this same year, the province was home to 92,430 immigrants from India, accounting for almost 30% of the 315,000 Canadian immigrants from that country. Most (77%) of the immigrants to BC from India are recent immigrants (arrived after 1990).

The annual number of immigrants from India to BC has grown substantially since 1990



One of the effects of the high number of immigrants from India to BC is the considerable expansion of education services in BC tailored to the requirements of Indo-Canadian students. This is significant in terms of BC's trade partnership with India as education can play a vital role in the promotion of public-private sector initiatives for strengthening economic partnerships between trade partners. Recruitment efforts in the Indian market are currently being made through several postsecondary institutions in BC. Kwantlen University College and Malaspina University College are among institutions that are actively recruiting in India while the University College of the

Many of the province's universities and colleges are offering educational services catered specifically to the needs of

Fraser Valley is set to begin offering Applied Business Administration degrees at the Punjab University in Chandigarh. Such initiatives have led to country-to-country research collaboration and many faculty and student exchanges.

Indian Diaspora² in Canada is an integral market segment for Indian imports and Canadian exports alike. Just a few months ago, a workshop was held at the 8th National Metropolis Conference in Vancouver, where the interconnectedness of India's, China's and Canada's national Diaspora strategies was discussed. Certain marketing strategies can be planned effectively around Indian Diaspora in Canada and in BC specifically. Given that most immigrants in BC from India are of the "family" class, interpersonal links can prove a very influential factor in two-way trade between the two countries. At a business forum held in Surrey last year, Valli Chettiar, President of the Canada-India Business Council (BC), emphasized in her address the "importance of people-to-people linkages need[ing] to be translated into stronger business-to-business linkages," while simultaneously urging more BC-Punjab trade missions.³

Indian Diaspora in BC has potential to improve and expand two-way trade partnership

In May 2005, after reviewing BC-India initiatives over the past few years, BC Finance Minister Colin Hansen purported that BC is developing "as the gateway to the Asia-Pacific for North America."⁴ With India's booming economy, BC's geographical location could also prove beneficial for BC-specific trade and not just as a convenient port for the rest of Canada.

Raw material exports have traditionally formed the majority of BC exports to India. Like BC, Canadian merchandise exports to India also tend to be concentrated in raw material exports. BC is a primary source to India for some of the top Canadian exports—namely newsprint and wood pulp.

Raw materials form the majority for both BC and Canadian commodity exports to India.

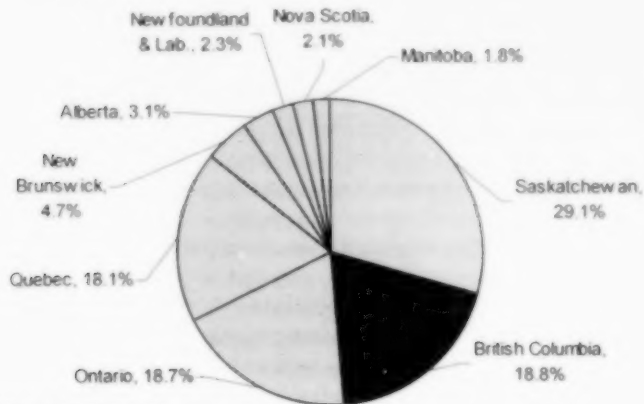
BC was the source of 19% of Canadian domestic exports to India, second only to Saskatchewan (29%), on par with Ontario (19%) and slightly ahead of Quebec (18%). British Columbia's exports of goods to India have been increasing at a significant rate in recent years, making the value of BC's commodity exports to India triple what they were a decade ago.

² Refers to the spreading of people from one original country to other countries. Indian Diaspora in Canada refers to Indian immigrants settled in Canada.

³ University College of the Fraser Valley Newsroom. *BC India Business Forum* May 24, 2005. www.ucfv.bc.ca/MarCom/Newsroom

⁴ University College of the Fraser Valley Newsroom. *BC India Business Forum* May 24, 2005. www.ucfv.bc.ca/MarCom/Newsroom

BC ranked second in Canada in 2005 as a source of exports to India



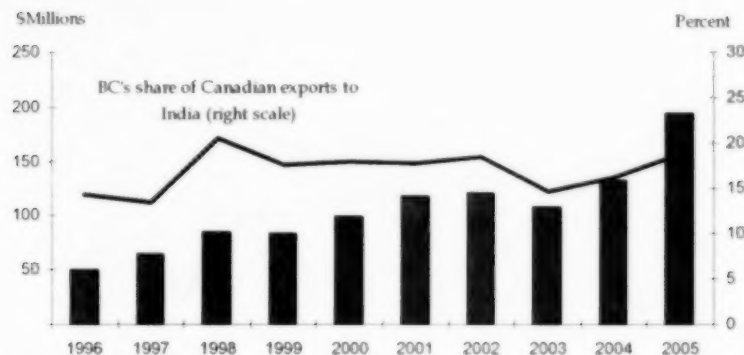
Data Source: Statistics Canada

Among the provinces, BC ranks second as a source for commodity exports to India

Forest products, including rolled and sheeted newsprint as well as wood pulp, have customarily been the largest exports from BC to India. In 2005, products in these two categories accounted for 61% of BC shipments to India. Newsprint remained the largest export from BC to India in 2005 at \$66 million (34% of BC exports to India).

Newsprint and copper ores and concentrates comprise almost two-thirds of BC origin commodity exports to India

Exports of goods from BC to India have been climbing over the last decade

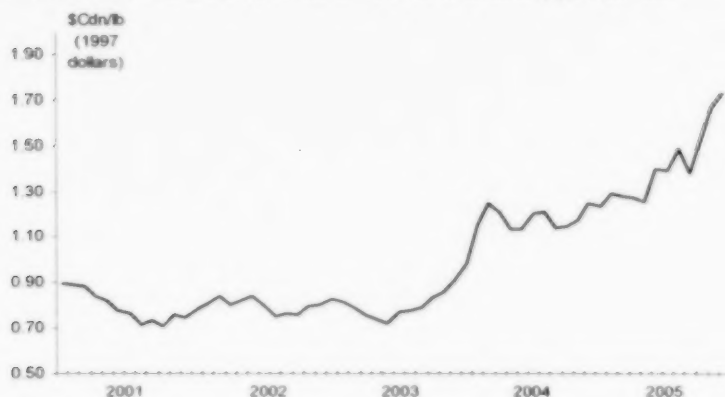


Data Source: Statistics Canada

BC origin exports to India have undergone considerable growth in the past decade

Copper ores and concentrates have also historically been important exports from BC to India. In 2005, BC exported \$49.5 million of copper ores and concentrates to India, comprising 26% of BC exports to that market and making it the second largest BC export to India. As one of the largest consumers of minerals and metals, along with China, India's demand has had an effect on metal prices including copper.

Demand from India has contributed to a rise in copper prices



Copper prices have surged partly as a result of increased demand from India

Data Source: Statistics Canada

The top Canadian exports to India differed slightly from those of BC. Peas, chickpeas and lentils made up a significant share of the country's exports to India (16%), as did potash and other fertilisers (14%). However, as in BC, newsprint and other paper and paperboard accounted for most of Canada's commodity exports to India (19%). Commodity exports to India from Canada surpassed the billion dollar mark for the first time in 2005, while in 2003 (latest data available), Canada exported \$254 million in services to India.

Last year, India ranked 14th as destination for BC origin exports, well ahead of free trade partner Chile (22nd) and only four behind Mexico (10th). This is in contrast to India's rank of 18th as destination for Canadian domestic exports, accounting for 0.3% of the country's overall exports. India ranked as the 22nd country of origin for imports to Canada as 0.5% of Canadian imports came from India.

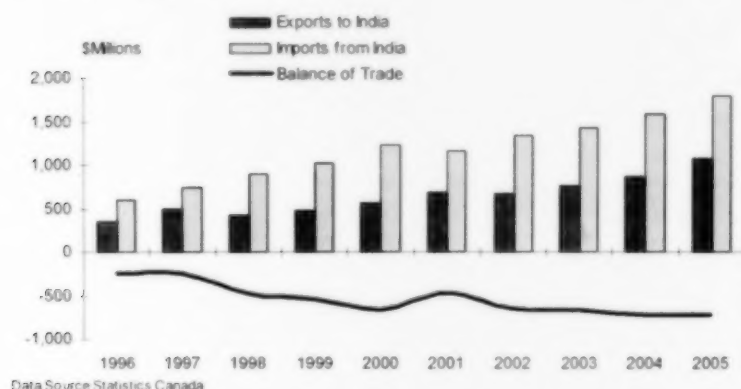
Although India's exports to Canada have grown steadily over the past five years, its total exports worldwide have grown at a much faster rate. Consequently, Canada has not been one of the more dynamic destinations for Indian exports over this period. However, between 2001 and 2005, the value of Indian imports into Canada grew 55% while imports from other countries increased only 11%.

India's exports to the rest of the world have grown at a more rapid pace than have its exports to Canada

Canadian imports from India vary a bit more than its exports, with clothing accounting for over 22% of the value of imports from India in 2005. Other top commodities imported include organic chemicals (10%), diamonds, pearls, other precious stones and metals (8%) and machinery and mechanical appliances (7%).

Strong growth in India has fuelled an unexpected demand for raw goods such as base metals and crude oil, which has pushed India's trade deficit to higher levels in recent times. However, over the past decade, Canada has been importing more commodities from India than it has shipped to that country, such that Canada has had a commodity trade deficit with India since 1993.

Canada has a trade deficit with India



Canada's trade deficit with India continues to increase

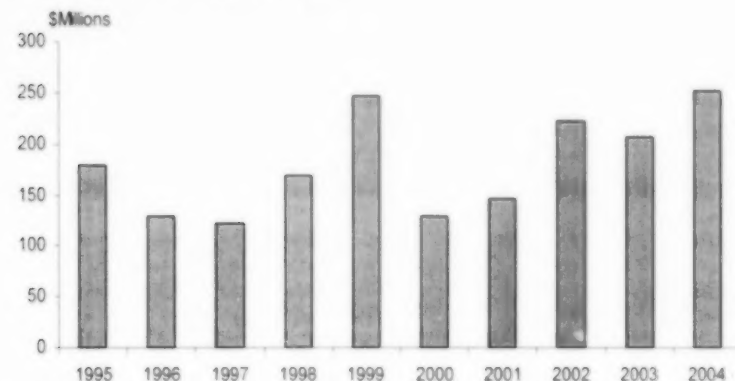
The trade deficit has also been increasing steadily as rising imports and little growth in exports tipped the scales to over \$700 million in India's favour in 2005.

Conversely, Canada's trade balance with India in services has been in surplus over the last few years of available data. In 2003, Canada exported \$254 million in services to India and imported a similar value (\$244). This left the trade balance of services at a mere \$10 million, down from \$81 million in 2000. Although at just under \$500 million the two-way trade in services between India and Canada remains relatively insignificant at this time, it is beginning to show interesting dynamism, increasing almost 125% between 1994 and 2003.

Canada's trade surplus in services with India is diminishing

Though investment in India has increased slightly over the past few years, according to Statistics Canada, Canadian direct investment in India amounted to a rather small \$251 million in 2004. Indian investment in Canada was even less significant (\$62 million). Globally, however, foreign direct investment in India is on the rise, poised to set new records in 2006.

Canadian foreign direct investment in India has shown volatility over the past decade



Data Source: Statistics Canada

Canada's foreign direct investment in India has crept up in recent years but at a mere \$251 million in 2004, remains relatively trivial

Given the size of the economies involved, investment potential is significant. Bhim Asdhir, president and CEO of Excel Funds, who manages the Excel India Fund, posits that the greatest investment opportunities surround the emerging Indian middle-class. Families are taking bank loans, making banking stocks good buys and are spending their borrowed money on consumer items, which opens up investment opportunities in many other industries.⁵

Indo-Canadian communities and businesses are integral to the bolstering of bilateral investment between Canada and

One of the most recent in a series of trade missions to India, was a visit led by Canadian Then International Trade Minister Jim Peterson with a 70 member delegation of Canadian business representatives in April of 2005. Peterson described the level of bilateral trade between the two countries as being well below potential. He also announced negotiations with regard to a Foreign Investment Promotion Agreement with India and stated that India "boasts the largest emerging consumer market in the world" and encouraged India to "think of Canada" as its access to the NAFTA market.⁶

Bilateral investment relations have been on the rise in recent years as Canada, along with other countries, has warmed up to India subsequent to the volatility and wariness that followed the 1998 nuclear explosions at Pokhran. However, along with these positive developments, there do remain areas of concern that continue to pose challenges for Canadian business and investment prospects in India. A country of India's size and multiplic-

Scepticism with the Indian market remains prevalent among Canadian investors

⁵ *Opportunities in India* (Toronto). Trade by Numbers. Globe Investor. <http://magazine.globeinvestor.com>

⁶ Department of Foreign Affairs News Release April 6, 2005 No 61 <http://www.dfa-it-maeci.gc.ca/>

ity is not only full of prospects but can also be potentially precarious. As it stands, even the slightest slip in India-Pakistan relations could impact business and investment climates negatively.

As economic reforms accelerate in India, continued optimism exists for its economic growth prospects. The forecasted annual economic growth rate of 8.2% over the next 20 years⁷ would likely place India as one of the most powerful economies in the world. This growth offers British Columbian and Canada-wide firms opportunity to expand trade and tap into some existing markets as well as establish new ones.

Given the reality of the markets, the overall growth in trade between India and Canada has been reasonable. However, trade improvement has generally been below the optimistic objectives set in recent round table discussions and trade missions.

Canada is still actively engaged in multilateral trade negotiations with India in hopes of addressing some of the trade barriers such as import duties, high tariffs and taxes and the protection of intellectual property rights that impede faster growth in the trade partnership between the two countries.

BC and Canadian trade with India is below desirable levels for both countries though optimism for potential strengthening of trade partnership remains strong

⁷ Department of Foreign Affairs and International Trade: <http://www.dfaif-maeci.gc.ca/>



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BC at a glance . . .

POPULATION (thousands)		Jan 1/05	% change on one year ago
BC		4,279.5	1.3
Canada		32,422.9	1.0
GDP and INCOME		2005	% change on one year ago
(BC - at market prices)			
Gross Domestic Product (GDP) (\$ millions)		168,011	6.8
GDP (\$ 1997 millions)		144,028	3.5
GDP (\$ 1997 per Capita)		33,853	2.2
Personal Disposable Income (\$ 1997 per Capita)		20,693	2.5
TRADE (\$ millions, seasonally adjusted)			% change on prev. month
Manufacturing Shipments - Mar		3,801	1.3
Merchandise Exports - Mar		2,955	-1.5
Retail Sales - Mar		4,346	0.7
CONSUMER PRICE INDEX		12-month avg Apr '06	% change
(all items - 1992=100)			
BC		127.1	1.8
Canada		130.0	2.3
LABOUR FORCE (thousands)		Apr '06	% change on prev. month
(seasonally adjusted)			
Labour Force - BC		2,296	0.2
Employed - BC		2,193	0.2
Unemployed - BC		103	1.1
			Mar '06
Unemployment Rate - BC (percent)		4.5	4.4
Unemployment Rate - Canada (percent)		6.4	6.3
INTEREST RATES (percent)		May 31/06	June 1/05
Prime Business Rate		6.00	4.25
Conventional Mortgages - 1 year		6.25	4.85
- 5 year		6.75	5.85
US/CANADA EXCHANGE RATE		May 31/06	June 1/05
(avg. noon spot rate) Cdn \$		1.1028	1.2471
US \$ (reciprocal of the closing rate)		0.9079	0.8011
AVERAGE WEEKLY WAGE RATE		Apr '06	% change on one year ago
(industrial aggregate - dollars)			
BC		720.63	2.9
Canada		724.06	3.5
SOURCES:			
Population, Gross Domestic Product, Trade,		} Statistics Canada	
Prices, Labour Force, Wage Rate			
Interest Rates, Exchange Rates - Bank of Canada Weekly Financial Statistics			
For latest Weekly Financial Statistics see www.bankofcanada.ca			

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